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Uzbekistan, Republic of

Cotton and Products

Annual

2004

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Report Highlights:

Uzbekistan's MY 2004/05 cotton planting is under way starting about one week late in most regions of the country due to heavy rains in early spring. Weather conditions in the fall will be critical to final production results. Currently, MY 2004/05 production is forecast at 1.02 million metric tons (MMT) with exports reaching 750,000 MT.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Ankara [TU1]
[UZ]

PRODUCTION

Cotton has been both the salvation and the ruin of Uzbekistan. Cotton has traditionally been the primary cash crop in Uzbekistan and an important source of employment as well as foreign exchange. At the same time, the effects of years of cotton production have caused an environmental and health disaster in the country. Cotton is grown in a crescent from the Fergana Valley, extending south along the Tien Shan Mountains to Samarkand and Bukhara, and then west along the Amu Darya River. The planting season is from end of March through April. Harvest begins in Mid-August and continues through October. Almost all of the crop is flood irrigated.

MY 2003/04 cotton production continued its downward trend due primarily to continued heavy rainfall which necessitated considerable replanting and delayed the crop for almost a month. According to official statistics, Uzbek farmers harvested 2.9 MMT of seed cotton in MY 2003/04 producing 930,000 MT of lint. For MY 2004/05, the official cotton plant area is targeted at 1.36 MHA with the production target of seed cotton remaining at 3.6 MMT. According to the Uzbek Ministry of Agriculture and Water Resources, this year cotton planted under plastic will reach 320,000 HA unchanged from last year.

Table 1. Cotton Production, Supply and Demand

PSD Table

Country Commodity	Uzbekistan, Republic of						
	Cotton						
	(HECTARES)(MT)						
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official	Estimate [DA Official]	USDA Official	Estimate [DA Official]	USDA Official	Estimate [New]	
Market Year Begin	08.2002		08.2003		08.2004		MM/YYYY
Area Planted	1388000	1388000	1359000	1359000	0	1362000	(HECTARE)
Area Harvested	1420000	1388000	1400000	1359000	0	1362000	(HECTARE)
Beginning Stocks	227089	166770	194430	166770	0	126770	(MT)
Production	1001542	1000000	914451	930000	0	1020000	(MT)
Imports	0	0	1089	0	0	0	(MT)
TOTAL SUPPLY	1228631	1166770	1109970	1096770	0	1146770	(MT)
Exports	762043	750000	669509	680000	0	750000	(MT)
USE Dom. Consumption	272158	250000	283045	290000	0	280000	(MT)
Loss Dom. Consumption	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumption	272158	250000	283045	290000	0	280000	(MT)
Ending Stocks	194430	166770	157416	126770	0	116770	(MT)
TOTAL DISTRIBUTION	1228631	1166770	1109970	1096770	0	1146770	(MT)

This year's rains and cool weather in the first half of April forced cotton farmers in most regions to start planting about 10 days later than usual. The mass cotton planting started from April 15. As of today, cotton was reportedly planted on 90 percent of the total target plant area. If the weather remains good through the harvest, production is expected to rebound this year.

Table 2: FY04/05 Cotton Area and Targeted Seed Cotton Production by Region

REGION	Area (Ha)	Production (MT)
Karakalpakstan Republic	80,000	141,000
Andijan region	107,000	310,000
Bukhara region	115,400	400,000
Djizakh region	100,500	225,000
Kashkadarya region	164,000	420,000
Navoi region	39,400	120,000
Namangan region	94,000	270,000
Samarkand region	103,400	225,000
Surkhandarya region	120,000	380,000
Syrdarya region	115,300	249,000
Tashkent region	108,000	280,000
Fergana region	115,300	320,000
Khorezm region	95,000	260,000
TOTAL	1,362,300	3,600,000

PRODUCTION POLICY

Following independence, the Government of Uzbekistan (GOU) embarked on a policy of self-sufficiency in wheat by shifting land out of cotton. Until 2000, the policy was to maintain cotton at 1.5 MHA and production at 4.0 MMT of seed cotton (equivalent to 1.2 MMT of lint). The government expected better yields rather than larger area to lead to increased cotton production. Uzbekistan, however, has not been able to reach its cotton production target for the past several years for a number of reasons, including weather, inadequate production incentives (i.e. prices), inadequate and low-quality inputs and deteriorating infrastructure, especially irrigation.

As in recent years, Uzbekistan is planning to increase the area sown to quicker-maturing varieties and discontinue some of the medium-term varieties. During the last two years the government initiated a major program to reform the cotton sector, aimed mainly at improving fiber quality. The reforms are focused on three areas. First, the replacement of inferior cotton varieties, particularly those with a high micronaire, with better varieties. Currently, only about 20 percent of cotton area is sown with high-quality varieties. Second, the government is seeking to modernize Uzbekistan's 145 ginning plants by attracting foreign investment. Presently, more than 80 percent of the nation's ginning equipment still dates back to the Soviet era and needs to be replaced.

Third, in December of 2002 the GOU adopted a new decree that allows farmers to sell up to 50 percent of their cotton output either domestically or abroad. This decree theoretically was supposed to bring the government's monopoly on the cotton market to an end. However, as of today, no concrete practical mechanisms were developed to allow this process to begin. Therefore, despite the appearance of reform, the state continues to play a major role in cotton production and marketing. The state determines area, sets production targets and prices, supplies inputs and procures and markets the bulk of the crop.

MY 2004/05 procurement prices both for medium and long staple seed cotton as usual will be set by the government in mid August at the start of the harvest. Reportedly, new crop prices should increase at least by 10 percent higher than MY 2003/04.

CONSUMPTION

The State Cotton Ginning Association (Uzkhlopkoprom) is the joint-stock company (51 percent state owned) that procures and gins all state-order cotton. About 90 percent of Uzbekistan's gins are saw gins and the remainder are either roller or combination gins. In addition to Uzkhlopkoprom's 127 gins, the Ministry of Agriculture and Water Resources operates another 18 gins, mainly on their elite seed farms. Effective ginning capacity is estimated to be well below the 6.0 MMT of installed capacity due to equipment problems.

All cotton lint is still sold either to the trading companies of the Agency of Foreign Economic Relations (AFER) for export and partially allocated to the Commodity Exchange that organizes cotton lint sales for domestic consumers. Current domestic consumption is estimated at 280,000 MT and is forecast to remain the same level in MY 2004/05. According to the recent statements of the GOU's high-ranking officials, the government plans to increase the domestic consumption of cotton up to 60 percent within the next several years. The optimism of the GOU is based on the increasing number of new textile factories, mainly joint-venture productions with South Korean and Turkish investments. In 2004 the GOU is planning to open 11 new textile mills, each with processing capacity of 6,000 to 12,000 MT. Most of existing mills are mainly involved in producing cotton yarn for export. The near future plans of the GOU are to increase production of ready consumer textile products and export these products.

According to the State's Statistics Committee, in 2003 the textile enterprises produced 171,800 MT of cotton yarn which is 3 percent more than in 2002, and the production of cotton fabrics equaled to 415 million square meters, which is by 2 percent less than in 2002. Officials forecast that in 2005, yarn production will increase by 80,000 MT, grey goods by 50 million square meters and finished cloth by 65 million square meters.

STOCKS

There are no official or reliable data on stocks. Stock numbers in this report are calculated as a residual.

TRADE

Uzbekistan's cotton exports have declined over the past several years due to decreased production. MY 2003/04 cotton exports are estimated at 680,000 MT. The preliminary export forecast for MY 2004/05 is 750,000 MT, assuming normal weather for the remainder of the growing season. In spite of new regulations, the GOU still control exports of both state-order cotton and over-quota free cotton through the trading companies of the Agency for Foreign Economic Relations which coordinates the sales, export prices and shipments. Russia remains the traditional buyer of Uzbek cotton, although the Europe and the Asia are also still important markets.

Most cotton is sold to international shippers through negotiated sales. According to the new resolution of the Cabinet of Ministers, annually about 30,000 – 50,000 tons of cotton are allocated for the sale for export by the Commodity Exchange “Uzauctionsavdo”.

The Government is working with international cotton traders and other entities to invest in the cotton sector, including production, ginning, warehousing and transport. Officials believe greater cooperation and partnerships in the industry will enhance Uzbekistan's ability to produce and market its cotton.

Table 3. Uzbekistan's cotton exports by destination.

Commodity	Cotton lint		Metric tons
Time period	Aug02-Jul03		Aug03-Mar04
Exports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Russia	220000	Russia	180000
South Korea	85000	South Korea	55000
Germany	50000	Germany	30000
France	35000	France	22000
Poland	15000	Great Britain	17000
Turkey	12000	Turkey	9000
Italy	46000	Italy	28000
China	22000	China	13000
Vietnam	8000	Brazil	14000
Taiwan	18000	Pakistan	5000
Portugal	13000	Thailand	8000
Thailand	15000	Spain	12000
Brazil	20000	Poland	11000
Great Britain	21000	Belorussia	15000
Total for others	580000		419000
Others not listed	170000		122000
Grand total	750000		541000

Note: Precise official data is not available. Because most of Uzbekistan's cotton is sold to international cotton shippers, rather than end-users, it is difficult to determine destination. The above data is based on information from trade and other sources.